

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 L-03 H-02 CIAE-00 DODE-00 INR-07

NSAE-00 PA-01 USIA-06 PRS-01 SP-02 COME-00 EB-07

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FM AMCONGEN NAPLES IT

TO SECSTATE WASHDC PRIORITY 4659

INFO AMEMB ROME IT PRIORITY

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E.O. 11652: N/A TAGS: EINV, IT

SUBJECT: PROBLEMS OF AMERICAN SUBSIDIARIES IN NAPLES: RICHARDSON-MERRELL

REF: NAPLES 1097 AND PREVIOUS

1. SUMMARY. RICHARDSON-MERRELL/LABOR NEGOTIATIONS CONTINUE AT AN IMPASSE, WITH MANAGEMENT FIRMLY OPPOSED TO ANY PLAN WHICH MERELY POSTPONES THE PROBLEM BY ROTATING UNEMPLOYMENT COMPENSATION FOR A CERTAIN PERIOD. R-M REMAINS PREPARED TO LIQUIDATE THE NAPLES OPERATION IF NO PROGRESS IS MADE. THE OCCUPIED PLANT IS NOW PARTIALLY RE-OPENED FOR VACCINE PRODUCTION. AND AN EXPECTED NOVEMBER 17 MEETING IN ROME COULD PROVIDE A BREAK. END SUMMARY.
2. NEGOTIATIONS REMAIN AT AN IMPASSE. AS EXPECTED, AN OCTOBER 14

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MANAGEMENT/LABOR/GOI MEETING IN ROME PRODUCED NOTHING, AS R-M IS UNALTERABLY OPPOSED TO THE OCTOBER 1 "AGREEMENT" WHEREBY 381 WORKERS (ON A ROTATING BASIS, NOT JUST THE DISMISSED 381) WOULD GO ON CASSA INTEGRAZIONE FOR 15 MONTHS. R-M DID, HOWEVER, SUCCESSIVELY POSTPONE ITS SHAREHOLDERS MEETING (AT WHICH LIQUIDATION OF THE FIRM WOULD BE VOTED) FROM OCTOBER 15 TO OCTOBER 27 AND THEN TO NOVEMBER 21.

3. ON OCTOBER 21ST, WORKERS AT THE OCCUPIED R-M PLANT ANNOUNCED THAT THEY WOULD IMMEDIATELY RE-OPEN THE FACILITY FOR THE PRODUCTION
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OF URGENTLY NEEDED INFLUENZA VACCINE. R-M MANAGER HERNANDEZ TOLD

ECONOMIC OFFICER THAT THE MOVE WAS OBVIOUSLY GOOD PUBLIC RELATIONS, BUT WAS "MORE POLITICAL THAN PRACTICAL," SINCE AT MOST ONLY SOME 42 WORKERS COULD BE INVOLVED IN THE PRODUCTION AND PACKAGING OF THE VACCINE. HERNANDEZ SUGGESTED THAT THIS MIGHT BE THE FIRST STEP IN A PLAN DESIGNED TO PRECIPITATE THE "REQUISITION" OF THE R-M PLANTS BY ONE OR ANOTHER GOVERNMENT LEVEL -- AS THE CITY OF NAPLES. HE NONETHELESS AGREED TO COOPERATE WITH THE VACCINE MANUFACTURING PROGRAM, WHICH IS NOW PROCEEDING PEACEFULLY. THE COMPANY ALSO PAID EMPLOYEES TWO HUNDRED THOUSAND LIRA EACH ON ACCOUNT EARLY IN NOVEMBER (ALTHOUGH SUCH PAYMENT IS NOT LEGALLY

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REQUIRED TO WORKERS IN AN OCCUPIED PLANT.

4. HERNANDEZ BELIEVES THAT THE SITUATION MAY REACH A KIND OF CLIMAX NOVEMBER 17, WHEN AN INTER-MINISTERIAL MEETING WILL BE HELD IN ROME TO CONSIDER THE THREE 'INSOLUBLE' LABOR/MANAGEMENT PROBLEMS OF NAPLES: RICHARDSON-MERRELL, GENERAL INSTRUMENT, AND ANGUS (A BRITISH FIRM ALSO IN FINANCIAL TROUBLE AND OCCUPIED BY THE WORKERS). AGAIN ACCORDING TO HERNANDEZ, THE EXPECTATION IS THAT THE "MINISTERS WILL WARN ALL CONCERNED NOT TO EXPECT MUCH IN THE WAY OF INTERVENTION BY THE ITALIAN GOVERNMENT."

5. COMMENT: IT REMAINS TO BE SEEN WHETHER OR NOT THE GOI WILL PUBLICLY ACKNOWLEDGE THAT NEITHER GOVERNMENT INTERVENTION NOR TEMPORARY RESORT TO UNEMPLOYMENT COMPENSATION PROVIDES A REAL SOLUTION TO THE PROBLEMS FACING THESE THREE FIRMS, AS WELL AS OTHER FOREIGN AND NATIONAL INVESTMENTS IN THE MEZZOGIORNO. THIS WOULD, AFTER ALL, IMPLY RECOGNITION OF THE FACT THAT SOME ONCE PROFITABLE COMPANIES IN THE SOUTH ARE HEADED TOWARD BANKRUPTCY, NOT DUE TO ANY TRANSIENT WORLD-WIDE DEPRESSION BUT BECAUSE OF A DISASTROUS RISE IN THE UNIT COST OF MANUFACTURING IN ITALY. COLANTONIO

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